



DEPARTMENT OF THE NAVY
BUREAU OF NAVAL PERSONNEL
5720 INTEGRITY DRIVE
MILLINGTON TN 38055-0000

12000
PERS-653
8 August 2003

From: Head, NAF Personnel & Benefits Branch, MWR Division,
Navy Personnel Command
To: Distribution List

Subj: VOLUNTARY SEPARATION INCENTIVES FOR BUPERS NAF
EMPLOYEES

Ref: (a) NPC ltr 12830 Pers-653 of 21 Jul 03

Encl: (1) Guidance for Purchasing Military Service
(2) Incentive Awareness/Election Checklist
(3) NAF Retirement Incentives and BBA Benefit
Improvements Powerpoint Presentation

1. Reference (a) outlined some retirement incentives and added enhanced benefits for BUPERS NAF employees. These incentives are intended to significantly reduce the number of BBAs that might have to occur by encouraging employees close to retirement age to voluntarily retire. These incentives will only be available until 31 December 2003 or for the first 500 employees who elect to take advantage of them.

2. A description of the retirement incentives and implementing guidance are provided below:

Buyback of up to 5 years of military time to be credited toward NAF retirement. This is in addition to the recently completed BUPERS NAF civilian service buyback. Current NAF employees who are not drawing a NAF retirement can purchase up to 5 years of retirement credit for their military service. Employees must make an election to buyback their eligible military service by 30 September 2003 and they will have until 31 December 2003 to actually purchase this buyback. This buyback must be in lump sum and can be made in 3 installments but can **not** be by payroll deductions. Additional guidance is provided in Enclosure (1).

Lump Sum Cash Payment. Current BUPERS NAF employees who voluntarily retire with an immediate annuity between 1 August 2003 and 31 December 2003 will receive a separation benefit equal to the value of their own BUPERS NAF retirement contributions not to exceed \$25,000. (Please note that most employees have contributed less than \$25,000 to the BUPERS NAF retirement plan. But for those who have contributed more, the maximum payment that they will receive will be \$25,000). This payment is considered taxable income but may be rolled over into a tax qualified IRA to avoid paying immediate taxes (does not qualify as ROTH IRA). This payment will not affect your retirement annuity. The payment will be handled from BUPERS (Pers-653) and will be processed at the same time as the retirement is processed. The employee can expect to receive this payment from the John Hancock Life Insurance Company within 3 weeks after their retirement has been processed. If the employee elects to roll over this payment into an IRA, he/she must provide the Company name, account number and address of the company. In many instances, there is a company specific form that must accompany any rollover payment. Please inform employees to submit this form with their retirement package if required.

Use of Sick Leave to meet Retirement Eligibility

Requirements. This provision would allow an employee to use their sick leave balance to meet "years of service" for eligibility purposes or to avoid a reduction in retirement benefits. Please note that this provision does not waive any minimum age requirement. For example, an employee age 60 with 19 years and 6 months of service and with 6 months of sick leave could use this sick leave balance to meet the minimum age for a normal retirement (age 60 with 20 years). This incentive is only available for employees who elect to retire with an immediate annuity between 1 August 2003 and 31 December 2003. Please ensure that employees are aware of this provision

Involuntary Early Retirement Reduction. For all employees who are otherwise eligible and elect to start receiving a retirement annuity between 1 August 2003 and 31 December 2003, their retirement will be processed as an involuntary early retirement and a lesser reduction would apply. To be eligible for this involuntary early reduction, the participant must be age 50 with 20 years of service or 25 years of service and any age. The early reduction is 2 % a year for each year you retire earlier than age 55. Please

ensure that employees are aware of this provision. There is no other action required on your part. BUPERS will determine if this early provision applies and process the retirement accordingly.

Delay of the Social Security Offset. Again, for BUPERS NAF employees who start receiving a retirement annuity between 1 August 2003 and 31 December 2003, the social security offset will be further delayed until age 65 or their Minimum Retirement Age as determined by Social Security Administration. Again, please ensure that employees are aware of this provision. In processing these retirements, NPC will notify the John Hancock Life Insurance Company of this change.

3. Reference (a) also approved some enhanced benefits for employees whose positions are actually BBA'ed. The benefits and guidance is provided below:

Increasing severance pay from 4 weeks to 12 weeks. This delegates the authority to regions/field commands to increase the amount of severance pay paid to BUPERS NAF employees who lose their jobs as a result of a BBA from a maximum of 4 weeks to a maximum of 12 weeks (one week for each year of creditable service). In order to receive 12 weeks the employee must have 12 years of service. The cost for this is borne by the local command and not centrally from NPC. Severance pay may be paid in two-week increments or in lump sum within 4 weeks after separation. Severance pay is not authorized to employees who elect to receive an unreduced retirement annuity or for employees who voluntarily elect to retire under the early incentives mentioned above. Please ensure that the severance pay policy established for your command is in writing and is consistent across the board.

Continued medical insurance for an additional 3 months. This provision would apply to employees who voluntarily retire with an immediate annuity (and not eligible for retired medical) or who are involuntarily separated. Under this provision, employees can keep their medical coverage for an additional 3 months by continuing to pay the employee's share of the cost. After the 3 months, they can elect continuation coverage for 18 additional months. For this continuation coverage, they must pay the full premium plus a 2% administrative fee. It is requested that you send us a list of employees electing this provision and their

date of termination. Employees should be advised to send their payments to the Commander, Navy Personnel Command, 5720 Integrity Drive, Millington, TN 38055.

4. As noted above, these incentives will expire on 31 December 2003 or after the first 500 employees who retire whichever comes first. However, for planning purposes, you should require all employees to indicate their acceptance/non-acceptance of these incentives by 30 September 2003 and they must be off the rolls by 31 December 2003. There are no plans to extend the window period beyond 31 December 2003 or permit delays in effective dates beyond those listed above. It is imperative that all eligible employees complete and sign enclosure (2) to ensure that they are aware of these incentives and the expiration date of the window period to take advantage of any of these incentives. Enclosure (3) is a Powerpoint presentation for your use.

5. If you have questions, please call DSN 882-6704 or 901 874-6704.

Head, NAF Personnel & Benefits
Branch

Distribution List:

All BUPERS NAF Personnel Office servicing BUPERS NAF employees
All Regional BUPERS NAF Personnel Office